

HB-1176

Submitted on: 2/5/2025 2:04:45 PM

Testimony for ECD on 2/7/2025 10:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Adam Wong	Makai Ocean Engineering	Support	Written Testimony Only

Comments:

Aloha Chair, Vice-Chair, and Members of the Committee,

My name is Adam Wong, the Chairman of the Board of Makai Ocean Engineering, a high technology business based in Hawaii, I am submitting this testimony in strong support of HB1176, which establishes the Hawaii Economic Diversification Grant Program under the Hawaii Technology Development Corporation.

As a small business owner deeply committed to innovation and local economic growth, HB1176 represents a critical opportunity for companies like ours. The grant program will directly support our qualified research activities, enabling us to invest more in cutting-edge projects, hire local talent, and foster an environment where innovation thrives. This financial support not only helps sustain our business but also creates high-quality jobs, offering competitive wages that encourage Hawaii's brightest minds to remain and build their futures here.

From an economic standpoint, HB1176 is a strategic move toward strengthening Hawaii's economy through diversification and innovation. Research consistently shows that investment in high-tech industries leads to multiplier effects, generating additional employment opportunities and fostering ancillary industries. Critically, HB1176 addresses one of Hawaii's most pressing economic challenges: the brain drain of our best and brightest young people. Graduates from our esteemed institutions often leave the state due to limited high-paying, intellectually stimulating job opportunities. By incentivizing high-tech research and development within Hawaii, this program will create a robust job market that retains local talent and attracts professionals from beyond our shores.

Moreover, the bill aligns with sustainable economic practices by reducing dependence on traditional sectors such as tourism and construction, which are vulnerable to external shocks. A diversified economy, enriched by technological innovation, will make Hawaii more resilient in the face of global economic fluctuations.

In conclusion, HB1176 is not just a grant program; it is a visionary policy that lays the groundwork for a prosperous, diversified, and self-sustaining Hawaiian economy. It supports local businesses, fosters innovation, retains local talent, and builds economic resilience. We urge you to support HB1176 to help businesses like ours thrive and contribute to Hawaii's diversified, resilient economy.

Mahalo for the opportunity to testify.

Adam Wong



Written Statement of
MATTHEW SULLIVAN
DIRECTOR OF PRODUCT, OCEANIT

Before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

Friday, February 7, 2025, 10:30 a.m.
State Capitol, Conference Room 423 & Videoconference

In Support and Requested Changes to
**HB1176 RELATING TO THE HAWAII TECHNOLOGY DEVELOPMENT
CORPORATION**

To: Representative Greggor Ilagan, Chair, Representative Ikaika Hussey, Vice Chair
and Members of the Committee

From: Matthew Sullivan, Director of Product

Re: Testimony in Support of HB1176

Honorable Chair, Vice-Chair and Committee Members,

Thank you for the opportunity to submit testimony in **Support of HB1176**.

Research and development facilitates innovation which is essential for economic growth in Hawai'i. The Hawai'i Economic Diversification Program will encourage technology companies to conduct business in Hawai'i and will allow Hawai'i companies to compete with other states to recruit and retain more local talent.

This program will provide grants to qualified Hawai'i technology businesses that do research in strategic high growth industries such as artificial intelligence, biotechnology, nanotechnology, therapeutics, etc.

Oceanit is one of the largest local science and technology companies in the State and has been around for over 39 years. We strongly support HB1176 as one of the few state policies to support our local industry.



Statement of
Hermann Kugeler
Vice President of Business Development
Makai Ocean Engineering, Inc.
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY
Friday, February 7, 2025
10:15 am
In consideration of
HB1176
RELATING TO THE HAWAII TECHNOLOGY DEVELOPMENT CORPORATION.

Chair Ilagan, Vice Chair Hussey, and Members of the Committee

Makai Ocean Engineering, Inc. (Makai) **SUPPORTS HB1176** and respectfully requests the removal of the first-come, first-served provision in favor of a fairer distribution method..

We ask the committee to consider removing the first come, first served basis from the grant. Many of the Qualified High Technology Business (QHTB) were not able to receive the credits in prior years, because all of the funding was allocated in the first 23 seconds. Makai believes that including a provision allowing all businesses that submit their applications within the first 24 hours to receive a prorated share of the \$10,000,000 would provide broader support for Hawaii's QHTB community.

This approach ensures that both startups and established businesses have an equal opportunity to access funding, rather than favoring only those who can submit within seconds.

Makai supports this bill's efforts to address key issues with the current research credit, including:

- Ensuring that grants are directed to truly qualified technology companies, aligning with the bill's intent.
- Removing the reference to the base amount in IRS Section 41, which currently limits eligibility for many innovative tech firms.

About Makai Ocean Engineering

Makai is a locally-owned and operated technology company that has been based in Hawai'i for over 50 years. We are currently performing R&D on a variety of exciting ocean technology projects, including Machine Learning software, autonomous underwater vehicles, ocean thermal energy conversion (OTEC), seawater air conditioning (SWAC), and subsea cable systems.

Makai has been successful in bringing in tens of millions of dollars in R&D funds from federal and international sponsors to Hawai'i, helping to stem the tide of "brain drain" of talented kama'aina kids going to the mainland. Makai is not unique among Hawaii technology companies in this. There is a tech community here that has made a strong economic impact in terms of high



paying jobs, and demonstrated success in commercializing R&D, which has increased taxable revenue for the state, and brought home kama'aina scientists and engineers.

Why HB1176 Matters

This bill allows Hawaii companies like Makai to outshine mainland peers in competitive federal R&D projects, bring home R&D dollars that greatly exceed the initial investment, and create a critical mass and a truly vibrant industry of innovative R&D companies in Hawaii. It helps expand and diversify Hawaii's economy, and enable our tech industry to support high-paying, highly-skilled professional jobs for our keiki here at home.

Conclusion

This is why we **SUPPORT HB1176**, and urge the committee to adopt a prorated allocation system to ensure fair access to funding for all qualified high-tech businesses.

HB-1176

Submitted on: 2/6/2025 9:26:16 AM

Testimony for ECD on 2/7/2025 10:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Ann Chung	PacMar Technologies & Makai Ocean Engineering	Support	In Person

Comments:

I am in strong support of this bill. To diversify our economy and continue to create and maintain high-paying, high skilled jobs in our State, we need to support our local companies doing research & development. This grant program is an alternative and will resolve some of the problems with the current Research Tax Credit.

This will help to ensure that qualified technology companies (the intended recipients of the legislature) are the ones that receive the funding.

Please note: Request the bill to be amended:

-pg4 line 18 delete “first-come, first served” and replace with “after 24 hours after receiving all applications.”

-pg5 line 19 delete as performing arts has its own tax credit.

Mahalo!

HB-1176

Submitted on: 2/5/2025 12:41:49 PM

Testimony for ECD on 2/7/2025 10:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Charlie Field	Individual	Support	Written Testimony Only

Comments:

Research grants are critical sources of income for high-tech companies in Hawaii, growing the number of high-paying jobs and diversifying its economy. Offering grants in lieu of tax credit will resolve some of the problems with the current system of research credits. This will also ensure that qualified technology companies, which are the intended recipients of the legislature, are the ones that receive the funding. For these reasons, I submit **STRONG** support for this bill.



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Eddie Asato, Pint Size Hawaii, *Advisor*
Gary Okimoto, Safeway, *Immediate Past Chair*

TO: Committe on Economic Development and Tourism

FROM: HAWAII FOOD INDUSTRY ASSOCIATION

Lauren Zirbel, Executive Director

DATE: February 7. 2025

TIME: 10:15am

RE: HB1176 Relating to the Hawaii Technology Development Corporation

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, manufacturers and distributors of food and beverage related products in the State of Hawaii.

HFIA is in support of this measure. Many of our member businesses have utilized HTDC programs to do things like increase manufacturing capacity, upgrade equipment, increase efficiency, and become technologically enabled.

We encourage the Committee to pass this measure and we thank you for the opportunity to testify.



**Testimony to the House Committee on Economic Development & Technology (ECD)
Representative Greggor Ilagan, Chair
Representative Ikaika Hussey, Vice Chair**

**Friday, February 7, at 10:15AM
Conference Room 423 & Videoconference**

RE: HB1176 Relating to Hawaii Technology Development Corporation

Aloha e Chair Ilagan, Vice Chair Hussey, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber supports House Bill 1176 (HB1176), which establishes a public policy framework that addresses state goals related to economic diversification and appropriates funds to the Hawaii Technology and Development Corporation to implement specific programs that address these goals.

HB1176 aligns with our 2030 Blueprint for Hawaii: An Economic Action Plan, specifically under the policy pillar for Small Business. This bill promotes policies that drive economic growth, enhance workforce opportunities, and improve the quality of life for Hawaii's residents.

Hawaii's economy faces challenges due to its reliance on tourism and limited diversification in high-growth industries. To encourage innovation and economic resilience, this bill establishes the Hawaii Economic Diversification Grant Program, which supports qualified high technology businesses engaged in research and development (R&D). Modeled after the federal R&D tax credit, this program provides grants equal to the federal research credit for businesses conducting qualified research in Hawaii.

The bill allocates funding to the Hawaii Technology Development Corporation to administer the program, with a \$10 million cap on total annual grants. Participating businesses must report on expenditures, job creation, intellectual property, and economic impact, ensuring accountability and effectiveness. By incentivizing R&D in biotechnology, renewable energy, artificial intelligence, and other high-tech industries, this measure diversifies Hawaii's economy, fosters innovation, and creates high-paying jobs. The Chamber supports this bill as a key investment in Hawaii's long-term economic growth and sustainability.

The Chamber of Commerce Hawaii is the state's leading business advocacy organization, dedicated to improving Hawaii's economy and securing Hawaii's future for growth and opportunity. Our mission is to foster a vibrant economic climate. As such, we support initiatives and policies that align with the 2030 Blueprint for Hawaii that create opportunities to strengthen overall competitiveness, improve the quantity and skills of available workforce, diversify the economy, and build greater local wealth.

We respectfully ask to pass House Bill 1176. Thank you for the opportunity to testify.